UNITED STATES DISTRICT COURT EASTERN DISTRICT OF PENNSYLVANIA

PREFERRED REAL ESTATE

INVESTMENTS, INC.

1001 E. Hector Street, Suite 100 :

Conshohocken, PA 19428

RIVERTOWN DEVELOPERS, LP :

1001 E. Hector Street, Suite 100 : Conshohocken, PA 19428 ::

: CIVIL ACTION PREFERRED ASSET MANAGEMENT, LLC : NO. 06-1353

1001 E. Hector Street, Suite 100 : Conshohocken, PA 19428 :

Conshohocken, PA 19428

Plaintiffs, : JURY TRIAL DEMANDED

v.

MT. HAWLEY INSURANCE COMPANY, 9025 North Lindbergh Drive

Peoria, IL 61615 :

Defendant. :

ANSWER TO DEFENDANT MT. HAWLEY'S COUNTERCLAIM

Plaintiffs, Preferred Real Estate Investments, Inc. ("PREI"), Rivertown Developers, LP ("Rivertown"), Preferred Asset Management, LLC ("Preferred Asset Management") and all related entities named in an action for personal injury pending in Philadelphia Court of Common Pleas captioned McCormick, et al. v. Preferred Real Estate Investments, Inc., et al., No. 633, November Term, 2004 (the "Personal Injury Action") (collectively the "PREI Entities"), by and through their attorneys, Duane Morris LLP, hereby Answer the Defendant's Counterclaim as follows:

14. Denied. By way of further response, this paragraph contains a legal conclusion to which no response is required.

DUANE MORRIS LLP

By: /s/ Amanda M. Leadbetter
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215.979./1367/1192
Attorneys for Preferred Real Estate
Investments, Inc., Rivertown Developers, LP
and Preferred Asset Management, LLC

Dated: August 17, 2006

CERTIFICATE OF SERVICE

I, Amanda M. Leadbetter, Esquire, hereby certify that a true and correct copy of the forgoing Answer To Defendant Mt. Hawley's Counterclaim was mailed via first class mail, postage prepaid upon the following:

Jeffrey A. Ramaley, Esquire Zimmer Kunz 3300 U.S. Steel Tower Pittsburgh, PA 15219-2702

> /s/ Amanda M. Leadbetter_ Amanda M. Leadbetter, Esquire